Hudson Institute Herman Kahn Award Dinner, Oct. 14, 2010

Governor Mitch Daniels (Transcribed from extemporaneous remarks):

Mark Twain said that the perfect audience was informed, intelligent, inquisitive, and drunk [Laughter]. It's been a long evening, I'm thinking we're pretty near perfect here, which would come in handy.Dan [Quayle], thanks a million. Ken [Weinstein], all my friends, this has been like a college reunion. There are folks here that I have longed to see for quite a long time and you've made it possible; for that alone, I am incredibly grateful.

It is an intimidating audience though. Even, as the man said, Jefferson dining alone would have a hard time exceeding the candlepower that is assembled in this room.

And it's intimidating because, I've learned in this job — the first and only elected office I have ever sought or held — you get a lot of awards and recognitions you don't really deserve. Now, for the second night in a row, that's happened. Last night it had to do with education, something I aspire to contribute a great deal more to, but we are a work in progress in Indiana and they gave us one of these recognitions last night in the presence of somebody who's actually been there and done that — a tutor of mine, former Governor Jim Hunt of North Carolina. So, once again tonight, I feel like I am out of my league, fighting above my weight class. Speaking of weight, Carol Adelman said earlier on, "You know Herman [Kahn] was probably three times your size." [Laughter] And I said, "His brain was thirty-three times mine."

I am advised that the only previous recipient of this recognition was Bill Simon. Now *that's* intimidating. Bill Simon was a genuine giant, a lot to live up to there. I have always admired something about Bill Simon. Some of us think that George Washington's greatest of countless contributions to our nation was his last one, namely that he stepped out of the presidency after two terms, when he might easily have continued, and established a precedent more regal than democratic.

Bill Simon, as the Chairman of the Olin Foundation, faithfully presided over the founder's instructions to spend that foundation down to zero and go out of business. I see some former grantees in the audience who probably really hate the fact [Laughter] that Simon did his duty, but he always did.

To be mentioned in the same breath with a person like that, leaves you sort of speechless. But then of course to accept an honor named after Herman Kahn really does go beyond my powers of description and the risk is that anything one says on an occasion like this will only prove how unworthy you are.

I read that on another occasion, in which someone in that case, someone was controversially graced with an award, Andrew Jackson was given an honorary degree at Harvard. It was very much disputed by certain people who felt he didn't measure up to the standards. One of the faculty, by way of demonstrating that, challenged him to acknowledge the honor in Latin. Jackson apparently drew himself up to his full height

and said, "*E pluribus unum*, my friends. *Sine qua non*," and sat down. [Laughter] Before we're done, both you and I may wish that I'd adopted a similar approach.

It's a cliché of higher education to say that college and graduate school are where people learn to think critically. You may not have learned anything there, but you learned to think critically. Well, maybe *you* did. I'm not sure I can say that about either my undergraduate or my spotty law school experience, but Hudson Institute — that was my graduate school. If I learned to think critically or how to think more profoundly about things, it was there. When I think about Herman Kahn and the gang, the merry band who left Rand Corporation and who he assembled at Croton-on-Hudson and later in Indianapolis, this is what first comes to mind: They thought in ways we all should aspire to think.

They thought long-term and wrote books with modest titles like, *The Next Two Hundred Years.* [Laughter] My current job gives me some opportunities for this. At one point, until a couple years ago, the two oldest people on the planet Earth both were farm women who lived in Indiana about thirty miles apart. They were both girlfriends of mine; I got to know them pretty well. [Laughter] In fact, I got them together — Bertha Fry and Edna Parker — on Edna's 114th birthday. Bertha was a spring chicken of 113. Some guy from the *Guinness Book of World Records* showed up that day and proclaimed that this was the oldest combined meeting of two human beings in the history of the planet — 227 years, X months, Y days.

But on Bertha's — well it wasn't her birthday, it was New Year's Day, and I took her to lunch- a New Year's Celebration in her 113th year. Afterwards I overheard a guy from the local radio station interviewing her, and he asked the obvious question. He said, "Oh, Mrs. Fry all those years, all the history you've lived through, there must be things that stand out — what are they?" She named a couple of things — you know VE Day and, "Of course," she said "the assassination of the president." He said, "Oh yes, any American who was alive at the time remembers exactly where they were when President Kennedy was killed." She said, "No young man, McKinley." [Laughter] She was seven years old when McKinley got shot. Went home to the farm, no one believed her, there was no….

Experiences like that help you. And listening to and reading back through the work of Hudson helps one to stretch your sense of historical perspective.

Herman Kahn was a believer in anecdotal information. Oh yes, he was the great analyst and poured through the quantitative record and statistics. But it was well known — and the *History of Hudson* details this — how he would interrogate taxi cab drivers searching for some nugget of insight that you might not get elsewhere.

Now, my current job is like that too. I cannot tell you the kinds of anecdotal knowledge I have come by. For instance, I am probably the nation's expert at how to sign one's name on a goat. [Laughter] You go to 4-H fairs and kids want you to sign hats, shirts, animals…anyone who wants to know the technique, feel free to see me afterward.

Two weeks ago in Goose Pond, Indiana, I learned the following: You cannot safely neuter a hibernating animal. [Laughter] In case this comes as news to you, let me inform you that there is something about the fact that a hibernating animal's kidneys and liver shut down and the testosterone is essential.

The reason I know this is because my friend Dan Gamble, down around Goose Pond, who used to raise bears as domestic pets the way you might have a dog or a cat, once neutered his favorite bear, the seven-foot four-inch Otie, who eventually developed liver cancer as a result. It was a very sad event. Otie is still remembered down there for having gone into the bars in Dugger, Indiana with Dan on many occasions. One night [Otie] had too much beer and knocked Dan out cold with his paw. [Laugher] You're not going to find this in a think tank book anywhere. You've got to get out and do research. [Laughter]

Herman and the people of Hudson always thought in a contrarian way. I have always thought that the word should have been respelled — K-A-H-N— Kahntrarian because he and his colleagues so personified the view that by the time everybody believes something, it's almost certainly wrong. By the time wisdom becomes conventional, you ought to presume that it's lost its validity.

One of the early Hudson folks, who I learned tonight to my delight, is still alive and in his nineties is Frank Armbruster. He once told me about the early days of operations analysis, of which Hudson was a pioneer. In World War II, a bunch of British academics came up with the idea that they would reassemble in a hanger the pieces of RAF planes that had come back. The point was they would reassemble all these pieces and they would count the bullet holes and shrapnel holes and, therefore, they would see which places on the plane might need to be reinforced. And when they put it together, they were going around counting and there was one piece of the fuselage where absolutely zero holes were found. One of them said, "Well I guess we don't have to worry about that." Some Cockney guy painting the wall of the hanger hollers down, "Well, you ought to." They said, "Why?" And he said, "Those are the ones that don't come back." This is the way that people at Hudson learned, this is how we were trained to think — perpendicular.

The people of Hudson were trained by Herman and his group to think in a way that was principled, yes, but practical — immensely practical. Will you indulge yet again an old Hudson chestnut? The story is that come the Revolution, the intellectuals are being taken to the guillotine. The first one is taken off the tumbrel up to the blade, the blade gets stuck halfway down, it's an act of God, and by custom, the guy goes free. The second guy puts his head on the block, and the same thing happens, he goes free. Herman is third. They put his head on the block, he looks up and says, "Wait! I think I see your problem." [Laughter]

When you look at the old kinescopes, when you read the old books, when you debrief the old timers, Herman and the folks who started Hudson always had a bias for action. The thinking was never about scoring a scholastic or an academic point; it was always about

figuring out a better way forward. One of the beautiful little phrases Herman came up with was the term "educated incapacity." It's been said there are some things so absurd only an American intellectual can believe them to be true. Herman looked around and recognized that it is possible to spend so much time thinking and studying and cogitating and analyzing that you're not likely to produce a practical, common sense answer to the problems that confront and bedevil us.

We have in Indianapolis still, thank goodness, this wonderful old Jewish man, who is one of the survivors of the famous Bielski brothers band of partisans; maybe you saw the movie, *Defiance*, about their exploits. These were Jews who refused to submit and went to the forests of Poland and Eastern Europe and fought and saved each other and survived. In talking to him and in the books about them, there's a phrase that I had never heard before, I guess it's a Yiddish term. The term is "malbush."

A malbush was an intellectual — formerly an elite person in the society before the Nazis came. But in the forests, in the fight for survival, these formerly leadership elites were now next to useless. They didn't have crafts. They didn't understand weapons. They didn't know how to fight. They didn't know how to do the things that were now necessary. And Herman Kahn and his kindred spirits were never malbushes — if I pronounced that right — they were always about applying their intellect and their great gifts to real practical outcomes and to the human progress that could come from them.

As Ken so well depicted, they were optimists. Herman always said "realists." He lived in a world of pessimism, so he said in the Club of Rome environment of the day, that to be optimistic would simply be realistic. We're not going to run out of this and we're not going to run out of that.

His buddy and my friend, Julian Simon, won the famous bet that was on the cover of *The New York Times Magazine*, does anybody remember this? [Applause] Mr. Erlich I guess; much celebrated author. Got a genius award for being wrong every day of his life for thirty years. And Julian Simon said, "Fine. You think we're going to go bust in this world? You think we're going to run out of things? I'll bet you. You pick the commodities, I'll bet you ten grand the price is lower ten years from now." Julian wins.

That's the way people at Hudson Institute thought — they understood this fundamental fact: Extrapolation always leads to a wrong answer, always leads to a dead end. History, and in particular the history of technology, is discontinuous. There will be breakthroughs. There will be discoveries. There will be radical perpendicular turns in history and they do eventually lead upward.

So, Ken's right. We could use Herman today. Some of the issues he dealt with then are back, but with a twist. He thought about the unthinkable — nuclear weapons and how to prevent their use. He was thinking about a world in which the possessors of those weapons, however evil, were rational and wanted to survive.

How do we think about nuclear weapons when they may be possessed by people whose theology tells them that their own immolation may be their passport to paradise and their mission from God? Now, there's a tough one. I wish we had him to help us think through it.

The Malthusians are back, but with a twist this time. I read as recently as last Saturday's *Wall Street Journal* that people who have profited mightily from technological advances now worry that we're stalling out, that scientific insight, breakthroughs, and innovation may simply not be up to the task of continuing to lift living standards here and around the world.

Now, Herman is still with us. In thinking about tonight, I went to the bookshelf and pulled down some of those volumes and there's just great stuff there, things I had forgotten. I mean, from *The Coming Boom*, just try these two. In the context of arguing for lower taxation and a lighter regulatory hand that would let innovation and initiative flower, Herman wrote, "One fully justifiable tax would be on imported oil. Any large importation of oil by the U.S. raises security problems. There are, in effect, external costs associated with importing oil that a tariff would internalize." Now, maybe that transgresses some philosophical viewpoint of yours, but to me that's an interesting point today and just as valid as the day he wrote it.

Or he wrote, "It would be most useful to redesign the tax system to discourage consumption and encourage savings and investment. One obvious possibility is the value added tax and a flat income tax, with the only exception being a low standard deduction." That might suit our current situation pretty well. It also might fit Bill Simon's line in the late '70s: that the nation should have a tax system that looks like someone designed it on purpose. [Laughter]

Herman died in 1983, as we were reminded, right at the dawn of the boom that he had forecast, which went on with one hiccup for a quarter of a century. And I know that he would tell us today — one thing I know for sure — he would tell us as he did then, that it's important to preserve what he called an "ideology of progress." He said ideology is a way of thinking about the past, a way of framing the future, and is really important to achieving it. If you believe that human kind is capable of meeting its challenges and of devising new and better ways of getting forward, it is more likely that will finally happen.

It seems to me in our day, the question is not whether humanity will continue to march upward, whether it will continue to devise the inventions and the new arrangements which lead to more progress for more people, higher standards of living, and a better and more just world. The question is whether the United States of America will continue to lead that march or whether someone else will. In the long view of history, in which 235 years is a blip, it is not a given that any one nation either will continue in leadership or even exist for very long.

Now, none of us is Herman's equal, but we are all his heirs if we choose to be. If we think as he thought, long-term and skeptically about what is commonly accepted, and

practically, open-mindedly, following the facts where they lead, there's every reason to be optimistic, not only about the result, but about our nation's role in it.
And one other thing. When I think back and read through Herman Kahn's work, there is an affection there for his fellow citizens that I hope we never lose sight of. Those who would be friends of freedom and who believe in free institutions, free markets, the free competition of men and woman aspiring for a better life, are the best motor to lift everyone. In fact, it's the very best hope of those who enter life with the fewest advantages and opportunities. I hope that each such person will resist any temptation, which I occasionally see, to engage in a despair that occasionally creeps in. I hear too many people who are headed the right direction say things like, "Think how few people pay any taxes. Think how many people are on the government dole in one way or another. Think how our social mores, the ones that enable and encourage and protect freedom and prosperity, have eroded."

Yes, real issues. Herman, I believe — I don't presume to speak for him, but I just believe from everything I have absorbed from him and those who were around him — would never have given way to that sort of pessimism either. That should be left to the statists; it fits them better. It fits their world view. It fits a view in which the average citizens of this country and elsewhere are helpless victims incapable of dealing with the complex modern world, who need the benevolent ministrations of their betters.

That will prove to be a failed strategy as, I think, we have seen in recent days. It must be countered, not only with a different policy prescription, but with a different view, a different outlook that is more confident about our fellow citizens, about the taxi drivers, about the people who raise bears as domestic pets. And if we place our faith in their capacity, not just as individuals, to make the decisions necessary in their own lives to live as free men and women of dignity, but also to make the collective decisions, — the hard ones we're going to have to make, the ones that skeptics through the ages have said a democracy would finally not be able to make — to discipline itself, to defer gratification, to think more about the future than the present, in short, to govern ourselves responsibly.

The starting point of an ideology of progress in our day must be to believe in those people. I do. I bet you do. I know Herman Kahn would have. We all do. If we follow that conviction where it leads us, America will boom again and the American project as we've known it will resume.

Thank you for this honor and a great night of fellowship.

[Applause]